



## CITY OF LODI COUNCIL COMMUNICATION

**AGENDA TITLE:** Water Meter Retrofit Policy

**MEETING DATE:** May 2, 2007 (Continued from April 18, 2007)

**PREPARED BY:** Public Works Director

**RECOMMENDED ACTION:** Direct staff on policy to implement the water meter retrofit program.

**BACKGROUND INFORMATION:** The State of California has mandated that water meters be retrofitted on existing customer services. This matter was brought to the City Council in 2006 for initial discussion. The Council requested that staff evaluate the possibility of retrofitting meters on a "short" time frame.

The attached presentation provides background information, costs of retrofitting meters, discussion on the meter retrofit program and a recommendation. This is an abbreviated and updated version of the presentation for the April 10, 2007 Council Shirtsleeve Session. Based on the Shirtsleeve discussion and comments, staff developed the following recommendation:

- ❖ July 2007 – Begin installing meter on all new services
- ❖ Second half 2007 – Develop program, amend ordinance
- ❖ January 2008:
  - Send letter to property owners requiring installation of meter as condition of service with January 2009 deadline or City will install and bill
  - Start four-year program to install (at no charge) pre-paid meters
- ❖ 2008 – Finish program details, including:
  - Bid installation contract
  - Adopt interim tiered residential rate structure
  - Establish retrofit charge (with one-time or two-year payment plan)
  - Establish low-income, owner-occupied cost reduction program (with CDBG funds)
- ❖ January 2009 – Start three-year contract to install meters, including service upgrades
- ❖ January 1, 2010 – Start metered billing for customers with meter
- ❖ 2009 thru 2011 – Implement program, including cost of service and rate studies

**FISCAL IMPACT:** Actual impact will depend on the policy direction.

**FUNDING AVAILABLE:** Not applicable.

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Richard C. Prima, Jr.  
Public Works Director

RCP/pmf  
Attachment  
cc: Charlie Swimley, Water Services Manager

**APPROVED:** \_\_\_\_\_  
Blair King, City Manager

# Accelerated Water Meter Retrofit Program



Lodi City  
Council  
Regular  
Meeting  
May 2, 2007



# Outline

- Background
- Shirtsleeve Session Follow-up
- Meter Costs
- “Accelerated” Program
- Recommendation

# Background

- Historically, Lodi has metered high volume non-residential (commercial/industrial) customers
- 1979 – started installing water services “meter ready”
- Active meter retrofit program in late 80’s; discontinued due to budget cutbacks in 1993
- 1992 State law required meters on new services
  - Did not require charging per commodity rates
  - Lodi adopted “local rule” – we would charge for meters and install at later date when appropriate rates were established
- New State law now mandates charging for water based on usage (commodity rates) for all customers
  - January 1, 2025 deadline for all customers
  - January 1, 2010 deadline for customers with meters
  - Allows cost recovery from rates, fees or charges
- 2006 – City installs 400 residential meters for pilot test

# Shirtsleeve Follow-up Water Use

## ➤ Typical Residential Water Use:

- Lodi Pilot Test: 15,400 gallons/month average  
with pool: 18,310  
w/o pool: 14,880

- **Other Areas** (per Black & Veatch survey):

Manteca	20,200	Tracy	12,000	Stockton	16,500
Clovis	10,500	Roseville	19,400	Redding	13,500
San Francisco	5,200	EBMUD	8,300	Davis	15,700

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Approximately 60 pools in homes within pilot test area.

Stockton is City, not California Water Service Co. area.

Roseville is portion within San Juan Water District, not City of Roseville.

## Shirtsleeve Follow-up Rate Structure

➤ **Tiered Rates** (per Black & Veatch survey) :

Area	Percentage of Rate Structures		
	Uniform	Tiered	Other
Northern	36%	54%	10%
Coastal	39%	61%	0%
Central Valley	33%	21%	46%
Southern	64%	35%	1%

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Stockton is City, not California Water Service Co. area.

Roseville is portion within San Juan Water District, not City of Roseville.

## Shirtsleeve Follow-up Rates/Conservation

- Based on the pilot data and assuming existing commercial metered rates:
  - If customers did not change their usage after receiving a meter, revenue would increase.
  - If customers conserved an average of 15% or 20%, revenue would decrease.
  - Total revenue should be about the same as it is now with flat rates.
  - Compared to flat rates, some metered customers will pay more, others will pay less.

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There will be some increase in costs over long term for servicing and replacing meters.

## Meter Costs

Service	Number	Unit Cost	Cost (Mil.)
Pre-1979 needing service upgrade	11,000	\$1,200 \$200 meter \$1,000 service	\$13.2 \$ 2.2 mil. \$11.0 mil.
1979-1992 meter ready services	2,500	\$450	\$1.2
1992+ "meter paid" services	3,200 (3,600 less 400 pilot meters)	\$350	\$1.1
City-upgraded Services	500	\$350	\$0.2
Totals:	17,200		\$15.7

Pre-1979 services are buried approximately 30" deep; installing a meter involves excavation, installing fittings and a riser pipe, a meter box and valves along with the meter itself on the service (the main line leading to the structure). The meter would be located at the property or easement line. The estimate does not include replacing the entire service which, in some circumstances, may be necessary.

Note that as part of the infrastructure replacement program, the City has upgraded approximately 500 water services at no additional charge to the property owner.

The estimates do not include the higher cost for larger services at apartments or cases where two lots share a water service.



## “Accelerated” Program

- State law allows for delayed implementation - either “pay as you go” or all at once prior to January 1, 2025
- Council requested information on how program could be accelerated
  - concern for water conservation
  - issues with some customers metered, some not, for the next 18 years
  - some customers have requested meters

## Goal - Conversion on a “tight” time frame

- If sooner, i.e. next three years – then we need \$15.7 million in that time frame; either:
  - from Water Fund
    - – *not feasible - Fund is nearly depleted*
  - raise water rates
    - borrow \$15.7 million, pay back over time
    - *may not be feasible - roughly 20% rate increase for term of borrowing*
    - pay as you go
    - *may not be feasible - roughly 65% rate increase for 3 years*
  - charge property owners of parcels needing meter
    - *is feasible, only real option to implement soon*
    - *charge would range from \$350 to \$1,200 per home and higher for apartment complexes and other situations*
    - *would not include those that have already paid for meter*
    - *charge could be spread over some short time frame, but meter wouldn't be installed until paid in full since water utility cannot afford to front the cash*
- If later, i.e. sometime next decade – then we need to save up \$15.7+ million
  - *if entire infrastructure replacement revenue (\$2 million/year) was dedicated to this program, it would take 8 years*
  - *given PCE and other capital needs, it would actually take much longer*

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20% figure assumes annual cost of \$1.57 million (10% of capital needs) divided by \$8 million current annual revenue.

65% figure assumes \$15.7 million divided by three years divided by \$8 million annual revenue.

# Basic Choices

## ➤ Who Pays?

- Owner?
- Utility?
- Share? (meter by owner, service by utility; or some other shared cost method)

## ➤ When?

- Short time frame/Now
- Short time frame/Later
- Longer time frame

## Feasibility of Choices (within current rate structure)

Who Pays?	Time Frame		
	Short/Now	Short/Later	Long
Owner	Yes	Yes	Yes
Shared	No	Probably not*	Yes
Utility	No	Probably not*	Probably not*

\* Would be "Yes" if rates were increased

# Policy Issues

- During retrofit period, when do we start billing?
  - Start metered billing for those who have meters; or
  - Wait until required (2010)
  - All feasible scenarios will have some “dual rate” period.
  - Recommendation (next slide) includes waiting until 2010
- Water utility to share costs?
  - by not charging individual customers for administration of program, permits, one inspection?
  - by capping meter and service upgrade costs to individual customers?
  - Recommendation assumes “Yes, we will do these”.

## Staff Recommendation for Accelerated Program

- July 2007 – Begin installing meter on all new services.
- Second half 2007 – Develop program, amend ordinance.
- January 2008:
  - Send letter to property owners requiring installation of meter as condition of service with January 2009 deadline or City will install & bill.
  - Start 4 year program to install (at no charge) pre-paid meters.
- 2008 – Finish program details, including:
  - Bid installation contract;
  - Adopt interim tiered residential rate structure;
  - Establish retrofit charge (with one-time or 2 year payment plan);
  - Establish low-income, owner occupied cost reduction program (w/CDBG \$)
- January 2009 – Start 3 year contract to install meters, including service upgrades.
- January 1, 2010 – Start metered billing for customers with meter.
- 2009 thru 2011 – Implement program, including cost of service and rate study.

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Sewer charges could be converted to flow based once history is established and sewer rate study is done.

# Questions/Discussion

